CVC

2026 Private Credit Outlook

Half-Year Review

Built for Performance

H1 2026: Resilient Fundamentals Amid Persistent Volatility

At The Start Of The Year

We expected:

- Financing conditions to support continued momentum in lending activity.
- Resilient private equity sponsor activity and Europe's structural advantages to continue to underpin attractive opportunities in private credit.
- Market volatility to remain a feature of the environment, reinforcing the importance of disciplined underwriting.

What Happened?

- Despite heightened geopolitical volatility during the first half of 2026, the core investment case for European private credit remained intact.
- Financing conditions remained constructive, lending activity was active and Europe's structural spread advantage continued to support attractive lending opportunities.

A Changing Rate Outlook, But A Supportive Financing Backdrop

While geopolitical developments altered the expected path for policy rates, financing conditions remained broadly supportive.

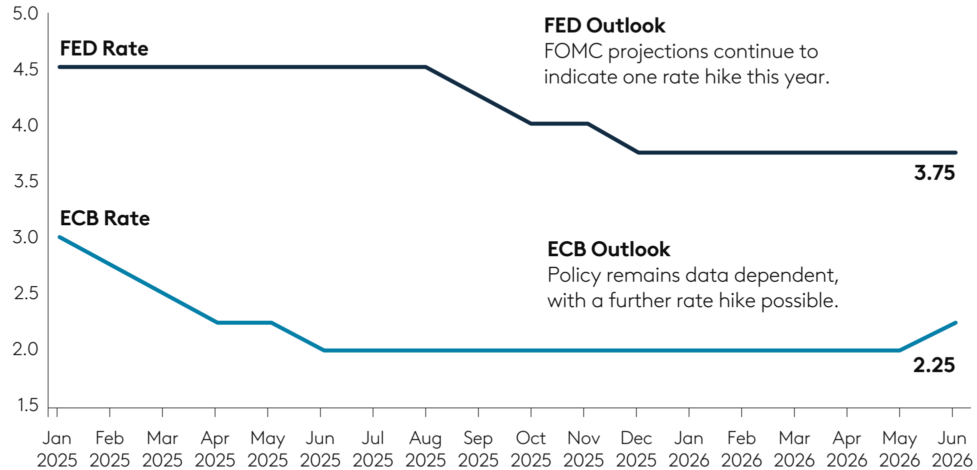
The ECB increased rates in June following renewed inflation concerns, while the Fed maintained a wait-and-see approach, retaining a modest tightening bias.

Europe nevertheless continues to benefit from lower policy rates than the US, supporting a constructive financing backdrop for European private credit.

Importantly, direct lending's floating rate structure continues to support attractive income generation, while borrower interest coverage ratios remain healthy.

ECB and FED Policy Rates (%)

Rates in Europe remain lower than in the US, supporting a more favourable financing backdrop.



Source: CVC, Federal Reserve, European Central Bank. As of 30 June 2026.

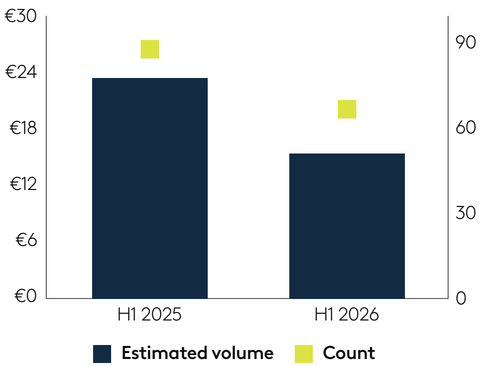
Lending Activity Moderated, While Acquisition Financing Remained Strong

European direct lending activity moderated during the first half of the year as geopolitical uncertainty weighed on transaction volumes.

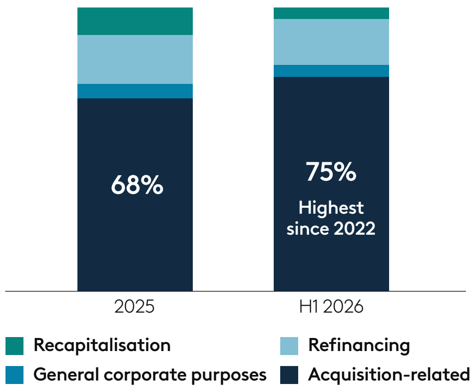
However, new lending increasingly shifted towards acquisition financing, reflecting continued demand to finance high-quality sponsor backed businesses in a more selective lending environment.

Sustained private equity sponsor activity, supportive financing conditions and Europe's structural advantages continued to underpin an attractive opportunity set across the European private credit market.

European Direct Lending Activity Moderated (€B)



However New Lending Increasingly Shifted Towards Acquisition Financing



Source: CVC, Pitchbook LCD June 2026 European Private Credit Monitor

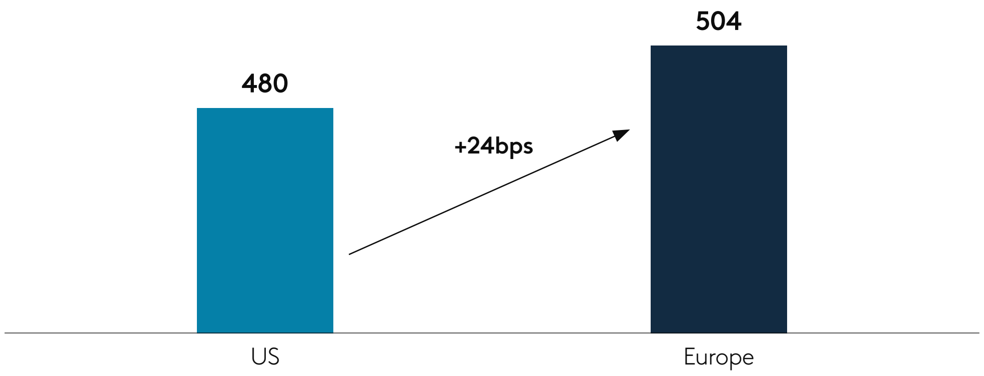
Europe's Structural Spread Premium Persisted

Even as lending activity became more selective, Europe continued to offer wider direct lending spreads than the US.

This suggests Europe's spread advantage remains intact, continuing to support attractive risk-adjusted income opportunities for locally embedded lenders.

H1 Direct Lending Spreads

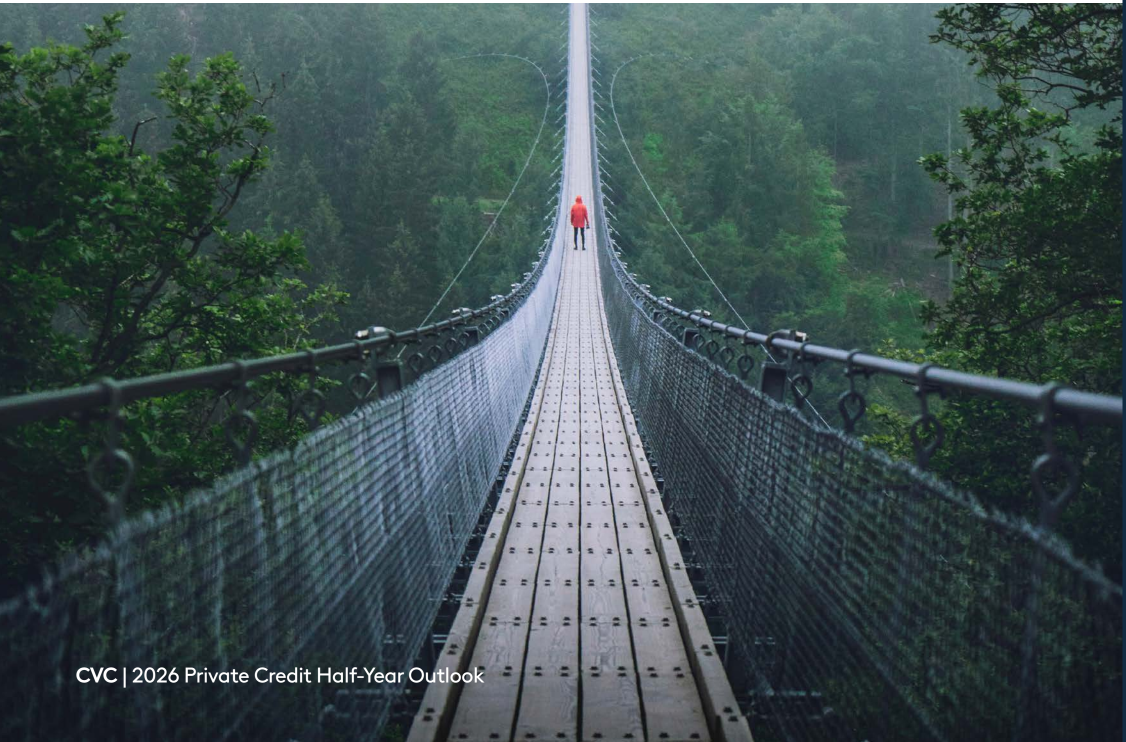
Europe's structural spread advantage remains intact



Source: CVC, using PitchBook / LCD Data. As at 30 June 2026. Direct lending spread data reflects senior secured first-lien loans and unitranche facilities.

H2 2026 Outlook

- Geopolitical volatility is likely to persist, reinforcing the importance of maintaining disciplined and selective underwriting.
- Despite uncertainty around future policy decisions, financing conditions remain broadly supportive. Against the current rate backdrop, direct lending's floating rate structure continues to support attractive income generation.
- Borrower fundamentals remain resilient, supported by conservative capital structures and healthy interest coverage ratios.
- Sustained private equity sponsor activity and Europe's structural advantages continue to support private credit markets, underpinned by fragmented markets, attractive spread dynamics and a supportive fiscal backdrop.
- In this environment, long-term outcomes are likely to favour experienced managers with differentiated origination capabilities, disciplined underwriting and active portfolio management.



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